

**CLAY CENTRAL/EVERLY
COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES**

JUNE 30, 2012

CONTENTS

OFFICIALS		1
INDEPENDENT AUDITOR’S REPORT		2-3
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)		4-11
BASIC FINANCIAL STATEMENTS	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	12
Statement of Activities	B	13-14
Governmental Fund Financial Statements:		
Balance Sheet	C	15
Reconciliation of the Balance Sheet –		
Governmental Funds to the Statement of Net Assets	D	16
Statement of Revenues, Expenditures and Changes in		
Fund Balances	E	17-18
Reconciliation of the Statement of Revenues,		
Expenditures and Changes in Fund Balances –		
Governmental Funds to the Statement of Activities	F	19
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	20
Statement of Revenues, Expenses, and Changes in Fund Net Assets	H	21
Statement of Cash Flows	I	22-23
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	24
Statement of Changes in Fiduciary Net Assets	K	25
Notes to Financial Statements		26-38
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses		
and Changes in Balances – Budget and Actual –		
All Governmental Funds and Proprietary Fund		39
Notes to Required Supplementary Information – Budgetary Reporting		40
Schedule of Funding Progress for the Retiree Health Plan		41

CONTENTS
(Continued)

OTHER SUPPLEMENTARY INFORMATION	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	42
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	43
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	44
Capital Project Accounts:		
Combining Balance Sheet	4	45
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	5	46
Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	6	47
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	7	48

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	49-50
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SCHEDULE OF FINDINGS	51-55
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CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

OFFICIALS

<i>NAME</i>	<i>TITLE</i>	<i>TERM EXPIRES</i>
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Board of Education

(Before September 2011 Election)

Sue Brugman	President	2011
Dave Saboe	Vice President	2013
Gary Klett	Board Member	2011
Scott Rinehart	Board Member	2013
Tony Seivert	Board Member	2013

Board of Education

(After September 2011 Election)

Scott Rinehart	President	2013
Tony Seivert	Vice President	2013
Dave Saboe	Board Member	2013
Brian Schmidt	Board Member	2013
Curt Langer	Board Member	2015

School Officials

Robert Raymer	Superintendent	Indefinite
Diane White	District Secretary/Treasurer	Indefinite
Tom Whorley	Attorney	Indefinite

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

Independent Auditor's Report

To the Board of Education of
Clay Central/Everly Community School District
Royal, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clay Central/Everly Community School District, Royal, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U. S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clay Central/Everly Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U. S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated June 13, 2013, on our consideration of Clay Central/Everly Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 11 and 39 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures, to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clay Central/Everly Community School District's basic financial statements. Other auditors previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Schnurr & Company, LLP

Fort Dodge, Iowa
June 13, 2013

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clay Central/Everly Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,071,806 in fiscal year 2011 to \$5,046,020 in fiscal year 2012 while General Fund expenditures also decreased from \$4,646,038 in fiscal 2011 to \$3,796,684 in fiscal year 2012. The District's General Fund balance increased from (\$647,973) in 2011 to \$628,363 at the end of fiscal year 2012.
- The decrease in expenditures was due, in part, to a conscious decision to limit spending in the fiscal year 2012.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The *Government-wide Financial Statements* consist of a Statement of Net Assets and Statement of Activities. These provide information about the activities of Clay Central/Everly Community School District as a whole and present an overall view of the District's finances.

The *Fund Financial Statements* tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Clay Central/Everly Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Clay Central/Everly Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major governmental funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help it cover the cost of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

1. *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES (CONTINUED)

Fund Financial Statements (Continued)

1. *Governmental funds (continued)* – The District's governmental funds include the General Fund, the Special Revenue Funds and the Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2. *Proprietary funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business-type activities, but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows.

3. *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain revenue collected for District employee purchases of school morale related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Condensed Statement of Net Assets table below provides a summary of the District's net assets as of June 30, 2012 as compared to June 30, 2011.

Condensed Statement of Net Assets							
(Expressed in Thousands)							
	Governmental Activities		Business-type Activities		Total School District		Percentage Change (%)
	2011	2012	2011	2012	2011	2012	2011-2012
Current and other assets	\$ 3,218	\$ 4,706	\$ (50)	\$ (54)	\$ 3,168	\$ 4,652	46.8
Capital assets	1,075	1,134	29	27	1,104	1,161	5.2
Total assets	4,293	5,840	(21)	(27)	4,272	5,813	36.1
Long-term liabilities	114	97	13	5	127	102	(19.7)
Other liabilities	3,149	3,091	3	15	3,152	3,106	(1.5)
Total liabilities	3,263	3,188	16	20	3,279	3,208	(2.2)
Net assets:							
Invested in capital assets, net of related debt	1,075	1,134	29	27	1,104	1,161	5.2
Restricted	588	975	-	-	588	975	65.8
Unrestricted	(633)	543	(66)	(74)	(699)	469	(167.1)
Total Net Assets	\$ 1,030	\$ 2,652	\$ (37)	\$ (47)	\$ 993	\$ 2,605	162.3

The District's combined net assets increased by 262%, or approximately \$1,610,000, from the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, buildings, improvements and equipment).

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$387,000 or 66% over the prior year. The increase was primarily a result of decreased expenditures in the Capital Projects Fund related to the statewide sales, services and use tax received for the fiscal year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirement – increased approximately \$1,168,000. This increase in unrestricted net assets was primarily a result of the District's efforts to limit spending in the current year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following schedule shows the changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Changes in Net Assets (Expressed in Thousands)							
	Governmental Activities		Business-type Activities		Total School District		Percentage Change (%)
	2012	2011	2012	2011	2012	2011	2011-2012
Revenues:							
Program revenues:							
Charges for service	\$ 326	\$ 345	\$ 98	\$ 103	\$ 424	\$ 448	(5.7)
Operating grants, contributions and restricted interest	741	868	88	92	829	960	(15.8)
General revenues:					-	-	
Property taxes	2,998	2,326	-	-	2,998	2,326	22.4
Income surtax	82	120	-	-	82	120	(46.3)
Statewide sales, service and use tax	320	315	-	-	320	315	1.6
Unrestricted state grants	1,147	1,115	-	-	1,147	1,115	2.8
Unrestricted investment earnings	1	1	-	-	1	1	-
Other revenue	119	554	-	-	119	554	(365.5)
Total revenues	5,734	5,644	186	195	5,920	5,839	1.4
Expenses:					-		
Instruction	2,571	3,291	-	-	2,571	3,291	(28.0)
Support services	1,313	1,475	-	-	1,313	1,475	(12.3)
Non-instructional programs	-	-	196	196	196	196	-
Other expenditures	228	318	-	-	228	318	(39.5)
Total expenses	4,112	5,084	196	196	4,308	5,280	(22.6)
Excess (deficiency) of revenues over (under) expenses	1,622	560	(10)	(1)	1,612	559	65.3
Transfers	-	-	-	-	-	-	-
Change in net assets	1,622	560	(10)	(1)	1,612	559	65.3
Net assets beginning of year	1,030	470	(37)	(36)	993	434	56.3
Net assets end of year	\$ 2,652	\$ 1,030	\$ (47)	\$ (37)	\$ 2,605	\$ 993	61.9

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

In fiscal year 2012, property tax and unrestricted state grants accounted for 72% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 100% of business type activities revenue.

The District's total revenues were approximately \$5.9 million, of which approximately \$5.7 million was for governmental activities and less than \$200,000 was for business type activities.

As shown in the table on the preceding page, the District as a whole experienced a 1.4% increase in revenues and a 19.12% decrease in expenses. The decrease in expenses is due, in part, to implemented staffing reductions.

Governmental Activities

Revenues for governmental activities were \$5,733,626 and expenses were \$4,111,564 for the year ended June 31, 2012. The District had implemented a staff reduction plan projected to reduce expenditures by \$800,000.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Total and Net Cost of District's Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2012	2011	2011-2012	2012	2011	2011-2012
Instruction	\$ 2,571	\$ 3,291	21.88%	\$ (1,733)	\$ (2,292)	24.39%
Support services	1,313	1,475	10.98	(1,264)	(1,450)	12.83
Non-instructional programs	-	-	-	-	-	-
Other expenses	228	318	28.3	(47)	(129)	63.57
	\$ 4,112	\$ 5,084	19.12%	\$ (3,044)	\$ (3,871)	21.36%

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$326,179.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$740,788.
- The net cost of governmental activities was financed with \$3,399,302 in property and other taxes and \$1,147,203 in unrestricted state grants.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Business-Type Activities

Revenues for business-type activities during the year ended June 30, 2012 were \$186,368, remaining stable as compared to the prior year revenues of \$195,106, while expenses total \$196,051. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Clay Central/Everly Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,520,445, well above last year's ending fund balances of (\$36,315). Two major reasons for the increase in combined fund balances at the end of fiscal year 2012 were the District collecting approximately \$650,000 in increased property taxes and a planned staff reduction resulting in approximately \$800,000 of reduced expenditures.

BUDGETARY HIGHLIGHTS

Over the course of the year, Clay Central/Everly Community School District amended its budget one time to reflect additional expenditures associated with a projected increase in instructional, support services and non-instructional expenses. The District's total revenues were \$38,654 more than total budgeted revenues.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET

Capital Assets

At June 30, 2012, the District had invested approximately \$1.2 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, transportation equipment. See table following. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$145,298.

Capital Assets, net of Depreciation (Expressed in Thousands)							
	Governmental Activities		Business-type Activities		Total District		Percentage Change (%)
	2012	2011	2012	2011	2012	2011	2011-2012
Land	\$ 10	\$ 10	\$ -	\$ -	\$ 10	\$ 10	-
Buildings	715	723	-	-	715	723	1.1
Improvements other than buildings	96	104	-	-	96	104	8.3
Furniture and equipment	313	238	27	29	340	267	(21.5)
Total	\$ 1,134	\$ 1,075	\$ 27	\$ 29	\$ 1,161	\$ 1,104	(12.0)

The original cost of the District's capital assets was approximately \$5.6 million. Governmental funds account for approximately \$5.5 million, with the remainder of approximately \$.1 million accounted for in the Proprietary, School Nutrition Fund.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Diane White, District Secretary/Treasurer and Business Manager, Clay Central/Everly Community School District, 401 Church Street, P.O. Box 110, Royal, Iowa, 51357.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENT

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Exhibit A

STATEMENT OF NET ASSETS
June 30, 2012

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,710,514	\$ 8,318	\$ 1,718,832
Receivables:			
Property tax:			
Delinquent	34,166	-	34,166
Succeeding year	2,649,000	-	2,649,000
Accounts	26,052	344	26,396
Due from other governments	214,007	-	214,007
Inventories	-	9,997	9,997
Internal balances	72,146	(72,146)	-
Capital assets, net of accumulated depreciation	1,133,819	26,684	1,160,503
Total assets	5,839,704	(26,803)	5,812,901
LIABILITIES			
Accounts payable	192,569	434	193,003
Salaries and benefits payable	237,044	13,185	250,229
Due to other governments	12,015	-	12,015
Deferred revenue:			
Succeeding year property tax	2,649,000	-	2,649,000
Other	-	1,556	1,556
Long-term liabilities:			
Portion due within one year:			
Termination benefits	15,029	-	15,029
Portion due after one year:			
Termination benefits	17,824	-	17,824
Net OPEB liability	64,603	4,797	69,400
Total liabilities	3,188,084	19,972	3,208,056
NET ASSETS			
Invested in capital assets	1,133,819	26,684	1,160,503
Restricted for:			
Categorical funding	82,477	-	82,477
Management levy purposes	195,380	-	195,380
School infracture	587,941	-	587,941
Physical plant and equipment	66,250	-	66,250
Student activities	42,511	-	42,511
Unrestricted	543,242	(73,459)	469,783
Total net assets	\$ 2,651,620	\$ (46,775)	\$ 2,604,845

See notes to financial statements.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental Activities:			
Instruction:			
Regular	\$ 1,478,293	\$ 135,557	\$ 328,164
Special	648,627	80,583	70,170
Other	443,744	65,916	157,274
	<u>2,570,664</u>	<u>282,056</u>	<u>555,608</u>
Support services:			
Student	32,840	-	-
Instructional staff	87,084	-	-
Administration	643,592	44,123	-
Operation and maintenance of plant	314,157	-	-
Transportation	235,766	-	4,824
	<u>1,313,439</u>	<u>44,123</u>	<u>4,824</u>
Other expenditures:			
Facilities acquisition	29,342	-	29,415
AEA flowthrough	150,941	-	150,941
Depreciation (unallocated)	47,178	-	-
	<u>227,461</u>	<u>-</u>	<u>180,356</u>
Total governmental activities	4,111,564	326,179	740,788
Business-type activities:			
Non-instructional programs:			
Food service operations	196,051	98,214	88,114
Total	\$ 4,307,615	\$ 424,393	\$ 828,902

Exhibit B

**Net (Expense) Revenue and
Changes in Net Assets**

Governmental Activities	Business Type Activities	Total
\$ (1,014,572)	\$ -	\$ (1,014,572)
(497,874)	-	(497,874)
(220,554)	-	(220,554)
(1,733,000)	-	(1,733,000)
(32,840)	-	(32,840)
(87,084)	-	(87,084)
(599,469)	-	(599,469)
(314,157)	-	(314,157)
(230,942)	-	(230,942)
(1,264,492)	-	(1,264,492)
73	-	73
-	-	-
(47,178)	-	(47,178)
(47,105)	-	(47,105)
(3,044,597)	-	(3,044,597)
-	(9,723)	(9,723)
\$ (3,044,597)	\$ (9,723)	\$ (3,054,320)

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES (Continued)

Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
General Revenues:			
Property taxes levied for:			
General purposes			
Capital outlay			
Income surtax			
Statewide sales and			
services tax			
Unrestricted state grants			
Unrestricted investment			
earnings			
Donations			
Other			
Total general			
revenues			
Change in net assets			
Net assets beginning of year			
Net assets end of year			
See notes to financial statements.			

**Exhibit B
(Continued)**

**Net (Expense) Revenue and
Changes in Net Assets**

Governmental Activities	Business Type Activities	Total
\$ 2,932,770	\$ -	\$ 2,932,770
64,759	-	64,759
81,897	-	
319,876	-	319,876
1,147,203	-	1,147,203
1,603	40	1,643
5,480	-	5,480
113,071	-	113,071
4,666,659	40	4,584,802
1,622,062	(9,683)	1,612,379
1,029,558	(37,092)	992,466
\$ 2,651,620	\$ (46,775)	\$ 2,604,845

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Exhibit C

BALANCE SHEET
Governmental Funds
June 30, 2012

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 1,011,751	\$ 456,574	\$ 242,189	\$ 1,710,514
Receivables:				
Property tax:				
Delinquent	31,954	-	2,212	34,166
Succeeding year	2,426,000	61,000	162,000	2,649,000
Accounts	22,154	381	3,517	26,052
Interfund receivable	72,146	150,000	-	222,146
Due from other governments	162,400	51,607	-	214,007
Total assets	\$ 3,726,405	\$ 719,562	\$ 409,918	\$ 4,855,885
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 178,171	\$ 4,371	\$ 10,027	\$ 192,569
Salaries and benefits payable	237,044	-	-	237,044
Notes payable	12,015	-	-	12,015
Interfund payable	150,000	-	-	150,000
Deferred revenue:				
Succeeding year property tax	2,426,000	61,000	162,000	2,649,000
Income surtax	94,812	-	-	94,812
Total liabilities	3,098,042	65,371	172,027	3,335,440
Fund balances:				
Restricted for:				
Categorical funding	82,477	-	-	82,477
Management levy purposes	-	-	195,380	195,380
School infracture	-	587,941	-	587,941
Physical plant and equipment	-	66,250	-	66,250
Student activities	-	-	42,511	42,511
Unassigned	545,886	-	-	545,886
Total fund balances	628,363	654,191	237,891	1,520,445
Total liabilities and fund balances	\$ 3,726,405	\$ 719,562	\$ 409,918	\$ 4,855,885

See notes to financial statements.

Reconciliation of the Balance Sheet -**Governmental Funds to the Statement of Net Assets****June 30, 2012****Total fund balances of governmental funds (Exhibit C)**

\$ 1,520,445

**Amounts reported for governmental activities in the
Statement of Net Assets are different because:**

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported as assets in the governmental funds.

1,133,819

Other long-term assets are not available to pay current period
expenditures and, therefore, are deferred in the governmental funds.

94,812

Long-term liabilities, including termination benefits and other
postemployment benefits are not due and payable in the current period
and therefore, are not reported as liabilities in the governmental funds.

(97,456)**Net assets of governmental activities (Exhibit A)**\$ 2,651,620

See notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

Governmental Funds

Year Ended June 30, 2012

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 2,640,388	\$ 410,145	\$ 180,051	\$ 3,230,584
Tuition	221,573	-	-	221,573
Other	370,349	3,879	103,708	477,936
State sources	1,667,423	26	72	1,667,521
Federal sources	146,287	-	-	146,287
Total revenues	5,046,020	414,050	283,831	5,743,901
Expenditures:				
Current:				
Instruction:				
Regular	1,481,920	-	58,238	1,540,158
Special	646,150	-	-	646,150
Other	343,886	-	99,058	442,944
	2,471,956	-	157,296	2,629,252
Support Services:				
Student	32,840	-	-	32,840
Instructional staff	61,149	-	-	61,149
Administration	578,754	10,935	36,557	626,246
Operation and maintenance	281,985	-	19,933	301,918
Transporation	192,059	73,665	9,355	275,079
	1,146,787	84,600	65,845	1,297,232
Other expenditures:				
Facilities acquisition	-	109,716	-	109,716
AEA flowthrough	150,941	-	-	150,941
	150,941	109,716	-	260,657
Total expenditures	3,769,684	194,316	223,141	4,187,141

(Continued on next page)

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**Exhibit E
(Continued)****STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES****Governmental Funds****Year Ended June 30, 2012**

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
Net change in fund balance	\$ 1,276,336	\$ 219,734	\$ 60,690	\$ 1,556,760
Fund balances beginning of year	(647,973)	434,457	177,201	(36,315)
Fund balances end of year	<u>\$ 628,363</u>	<u>\$ 654,191</u>	<u>\$ 237,891</u>	<u>\$ 1,520,445</u>

See notes to financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds to the Statement of Activities
Year Ended June 30, 2012**

Net change in fund balances - total governmental funds (Exhibit E) \$ 1,556,760

**Amounts reports for governmental activities in the
Statement of Activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 202,218	
Depreciation expense	(143,355)	58,863

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities. (10,225)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	34,004	
Other post employment benefits	(17,340)	16,664

Changes in net assets of governmental activities (Exhibit B) \$ 1,622,062

See notes to financial statements.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Exhibit G

STATEMENT OF NET ASSETS

Proprietary Fund

June 30, 2012

	Nonmajor School Nutrition
Assets	
Cash and cash equivalents	\$ 8,318
Accounts receivable	344
Inventories	9,997
Capital assets, net of accumulated depreciation	26,684
Total assets	45,343
Liabilities	
Accounts payable	434
Interfund loan payable	72,146
Salaries and benefits payable	13,185
Deferred revenue	1,556
Net OPEB liability	4,797
Total liabilities	92,118
Net assets	
Invested in capital assets	26,684
Unrestricted	(73,459)
Total net assets	\$ (46,775)

See notes to financial statements.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Exhibit H

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

Proprietary Fund

Year Ended June 30, 2012

	<u>Nonmajor School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 98,214
	<u>98,214</u>
Operating expenses:	
Non-instructional programs:	
Salaries	70,933
Benefits	26,749
Purchased services	1,740
Supplies	94,686
Depreciation	1,943
Total operating expenses	<u>196,051</u>
Operating (loss)	<u>(97,837)</u>
Non-operating revenues:	
State sources	1,698
Federal sources	86,416
Interest income	40
Total non-operating revenues	<u>88,154</u>
Change in net assets	(9,683)
Net assets beginning of year	<u>(37,092)</u>
Net assets end of year	<u><u>\$ (46,775)</u></u>

See notes to financial statements.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**Exhibit I****STATEMENT OF CASH FLOWS****Proprietary Fund****Year Ended June 30, 2012**

	<u>Nonmajor School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 97,546
Cash payments to employees for services	(90,835)
Cash payments to suppliers for good or services	<u>(98,881)</u>
Net cash (used by) operating activities	<u>(92,170)</u>
Cash flows from non-capital financing activities:	
State grants received	1,698
Federal grants received	<u>81,391</u>
Net cash provided by non-capital financing activities	<u>83,089</u>
Cash flows from investing activities:	
Interest on investments	<u>40</u>
Net (decrease) in cash and cash equivalents	(9,041)
Cash and cash equivalents at beginning of year	<u>17,359</u>
Cash and cash equivalents at end of year	<u>\$ 8,318</u>

(Continued on next page)

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**Exhibit I
(Continued)****STATEMENT OF CASH FLOWS****Proprietary Fund****Year Ended June 30, 2012**

	<u>Nonmajor School Nutrition</u>
Reconciliation of operating (loss) to net cash (used by) operating activities:	
Operating (loss)	\$ (97,837)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities:	
Commodities used	5,025
Depreciation	1,943
(Increase) in inventories	(5,219)
(Increase) in accounts receivable	(294)
(Decrease) in accounts payable	(2,261)
Increase in salaries and benefits payable	4,887
(Decrease) in unearned revenue	(374)
Increase in other postemployment benefits	1,960
	<hr/>
Net cash (used by) operating activities	<u><u>\$ (92,170)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$5,025 of federal commodities.

See notes to financial statements.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**Exhibit J****STATEMENT OF FIDUCIARY NET ASSETS****Fiduciary Funds****June 30, 2012**

	Private Purpose Trust Scholarship	Agency
Assets		
Cash and pooled investments	\$ 8,028	\$ 1,418
Liabilities		
Other payables	-	1,418
Net assets		
Reserved for scholarships	\$ 8,028	\$ -

See notes to financial statements.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**Exhibit K****STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS****Fiduciary Funds****Year Ended June 30, 2012**

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 2,300
Interest	121
Total additions	2,421
Deductions:	
Support services:	
Scholarships awarded	3,550
Change in net assets	(1,129)
Net assets beginning of year	9,157
Net assets end of year	\$ 8,028

See notes to financial statements.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Clay Central/Everly Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Royal and Everly, Iowa and the predominantly agricultural territory in a portion of Clay, Dickinson and O'Brien Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity:

For financial reporting purposes, Clay Central/Everly Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Clay Central/Everly Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations: The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Clay County Assessor's Conference Board.

B. Basis of Presentation:

Government-wide Financial Statements: The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets consists of capital assets, net of accumulated depreciation.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (continued):

Government-wide Financial Statements (continued):

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management that can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements: Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds that focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting:

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and interpretations, Accounting Principals Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (continued):

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity:

The following accounting policies are followed in preparing the financial statements:

Cash, pooled investments and cash equivalents: The cash balances of most District funds are pooled and invested. Investments are stated at fair value except non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property tax receivable: Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

Due from Other Governments: Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories: Inventories are valued at cost using the first-in, first-out method for purchased items and governmental commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Fund Equity:

Capital Assets: Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated/amortized using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	15-50
Improvements other than buildings	5-25
Furniture and equipment	3-20

Salaries and Benefits Payable: Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue: Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Fund Equity:

Deferred revenue (continued): Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and amounts received in advance for meal sales.

Long-term Liabilities: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity: In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in the preceding classification.

Restricted net assets: In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control:

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures in the other expenditures function exceeded the amount budgeted.

Note 2. Cash and Pooled Investment

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

NOTES TO FINANCIAL STATEMENTS

Note 3. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. N.A. is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The Series 2011-12A included taxable and tax-exempt warrants. The District participated in the issuance of the taxable warrants. The interest rates on the taxable Series 2011-2012A and taxable Series 2011-2012B warrants are variable rates, calculated daily, based on the one-month LIBOR rate plus 100 basis points. A summary of the District's ISCAP activity for the year ended June 30, 2012 is as follows:

Series	Warrant Date	Final Warrant Maturity Date	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2011-12A	6/30/11	6/23/12	\$ -	\$ -	\$ -	\$ -
2011-12B	1/26/12	1/25/13	-	-	-	-
			\$ -	\$ -	\$ -	\$ -

During the year ended June 30, 2012, the District paid \$0 of interest on the ISCAP warrants.

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 9,589	\$ -	\$ -	\$ 9,589
Total capital assets not being depreciated	9,589	-	-	9,589
Capital assets being depreciated:				
Buildings	2,946,247	47,502	-	2,993,749
Improvements other than buildings	511,008	-	-	511,008
Furniture and equipment	1,857,958	154,716	50,940	1,961,734
Total capital assets being depreciated	5,315,213	202,218	50,940	5,466,491
Less accumulated depreciation for:				
Buildings	2,222,897	55,501	-	2,278,398
Improvements other than buildings	407,393	7,755	-	415,148
Furniture and equipment	1,619,556	80,099	50,940	1,648,715
Total accumulated depreciation	4,249,846	143,355	50,940	4,342,261
Total capital assets being depreciated, net	1,065,367	58,863	-	1,124,230
Governmental activities capital assets, net	\$ 1,074,956	\$ 58,863	\$ -	\$ 1,133,819
Business type activities:				
Furniture and equipment	\$ 117,501	\$ -	\$ -	\$ 117,501
Less accumulated depreciation	88,874	1,943	-	90,817
Business type activities capital assets, net	\$ 28,627	\$ (1,943)	\$ -	\$ 26,684

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets (Continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$	15,986
Special		2,477
Other		800

Support services:

Instructional staff		25,935
Administration		5,006
Operation and maintenance of plant		12,238
Transportation		33,735

Unallocated

Total depreciation expense - governmental activities

\$ 143,355

Business-type activities:

Food service operations \$ 1,943

Note 5. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental Activities:					
Early retirement	\$ 66,857	\$ -	\$ 34,004	\$ 32,853	\$ 15,029
Net OPEB liability	47,263	63,615	46,275	64,603	-
Total	\$ 114,120	\$ 63,615	\$ 80,279	\$ 97,456	\$ 15,029
	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business-type Activities:					
Net OPEB liability	\$ 2,837	\$ 3,685	\$ 1,725	\$ 4,797	\$ -
Total	\$ 2,837	\$ 3,685	\$ 1,725	\$ 4,797	\$ -

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-term Liabilities (Continued)

A. Early Retirement:

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least fourteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which the early retirement commences. The application for early retirement is subject to approval by the Board of Education.

For licensed employees, the early retirement benefit is calculated as the difference between the base salary for a BA step one and the employee's contract salary for the application year. For classified employees, the early retirement benefit equals 50% of the employee's current annual salary, excluding overtime.

Upon retirement, the employee is eligible to continue participation in the District's group insurance plan with the District using the benefit amount to pay the retiring employee's cost of health insurance until the benefit amount is exhausted.

At June 30, 2012, the District had obligations to 4 participants with a total liability of \$32,853. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$34,004.

Note 6. Interfund Assets/Liabilities

The detail of interfund receivables and payables is as follows:

Receivable Fund	Payable Fund	Amount
General	Enterprise: School Nutrition	\$ 72,146
Capital Projects: Statewide Sales, Services and Use Tax	General	150,000
		<u>\$ 222,146</u>

The interfund receivables and payables result from advances between funds for cash flow purposes.

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 was \$154,149, \$171,978 and \$169,679, respectively, equal to the required contributions for each year.

Note 8. Other Postemployment Benefits (OPEB)

Plan Description: The District operates a single-employer retiree benefit plan that provides medical and prescription drug benefits for employees and retirees and their spouses. There are 44 active and 6 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy: The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation: The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	65,000
Interest on net OPEB obligation		2,300
Adjustments to annual required contribution		-
Annual OPEB cost		67,300
Contributions made		(48,000)
Increase in net OPEB obligation		19,300
Net OPEB obligation beginning of year		50,100
Net OPEB obligation end of year	\$	69,400

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued): For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$48,000 to the medical plan. Plan members eligible for benefits contributed \$14,735 or 23% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 65,000	61.54%	\$ 25,000
June 30, 2011	65,100	61.44	50,100
June 30, 2012	67,300	71.32	69,400

Funded Status and Funding Progress: As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$643,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$643,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,950,000, and the ratio of the UAAL to covered payroll was 33%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit alternative measurement method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11.0%. The ultimate medical trend rate is 5.0%. The medical trend rate is reduced .05% each year until reaching the 5.0% ultimate trend rate.

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions (Continued): Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$800 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 9. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$150,941 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Financial Condition

The District had unassigned/unrestricted deficit balance at June 30, 2012 in the Enterprise, School Nutrition Fund of \$73,459. The deficit will be eliminated by increasing meal prices.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES,
AND CHANGES IN BALANCES - BUDGET AND ACTUAL --
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND**

Required Supplementary Information

Year Ended June 30, 2012

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
Revenues:			
Local sources	\$ 3,930,093	\$ 98,254	\$ 4,028,347
State sources	1,667,521	1,698	1,669,219
Federal sources	146,287	86,416	232,703
Total revenues	5,743,901	186,368	5,930,269
Expenditures/Expenses:			
Instruction	2,629,252	-	2,629,252
Support services	1,297,232	-	1,297,232
Non-instructional programs	-	196,051	196,051
Other expenditures	260,657	-	260,657
Total expenditures/expenses	4,187,141	196,051	4,383,192
Excess (deficiency) of revenues over (under) expenditures/expenses	1,556,760	(9,683)	1,547,077
Balance beginning of year	(36,315)	(37,092)	(73,407)
Balance end of year	\$ 1,520,445	\$ (46,775)	\$ 1,473,670

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual	
		Variance -	
		Positive	
Original	Final	(Negative)	
\$ 3,767,962	\$ 3,767,962	\$ 260,385	
1,880,453	1,880,453	(211,234)	
243,400	243,400	(10,697)	
5,891,815	5,891,815	38,454	
2,145,726	2,745,726	116,474	
1,855,000	2,055,000	757,768	
426,742	526,742	330,691	
172,280	172,280	(88,377)	
4,599,748	5,499,748	1,116,556	
1,292,067	392,067	1,155,010	
(688,921)	(688,921)	615,514	
\$ 603,146	\$ (296,854)	\$ 1,770,524	

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT
June 30, 2012

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$900,000.

During the year ended June 30, 2012, expenditures in the other expenditures function exceeded the amount budgeted.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 643	\$ 643	0.00%	\$ 1,950	33.00%
2011	July 1, 2009	-	643	643	0.00	1,950	33.00
2012	July 1, 2009	-	643	643	0.00	1,950	33.00

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status, and funding progress.

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Schedule 1

COMBINING BALANCE SHEET

Nonmajor Governmental Funds

June 30, 2012

	Special Revenue Funds		Total
	Management Levy	Student Activity Fund	
Assets			
Cash and pooled investments	\$ 200,718	\$ 41,471	\$ 242,189
Receivables:			
Property tax:			
Delinquent	2,212	-	2,212
Succeeding year	162,000	-	162,000
Accounts	-	3,517	3,517
Total assets	\$ 364,930	\$ 44,988	\$ 409,918
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 7,550	\$ 2,477	\$ 10,027
Deferred revenue:			-
Succeeding year property tax	162,000	-	162,000
Total liabilities	169,550	2,477	172,027
Fund Balances:			
Restricted for:			
Management levy purposes	195,380	-	195,380
Student activities	-	42,511	42,511
Total fund balances	195,380	42,511	237,891
Total liabilities and fund balances	\$ 364,930	\$ 44,988	\$ 409,918

See accompanying independent auditor's report.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Schedule 2

Combining Schedule of Revenues, Expenditures and
 Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended June 30, 2012

	Special Revenue Funds		
	Management	Student Activity	Total
	Levy	Fund	
Revenues:			
Local sources:			
Local tax	\$ 180,051	\$ -	\$ 180,051
Other	695	103,013	103,708
State sources	72	-	72
Total revenues	180,818	103,013	283,831
Expenditures:			
Current:			
Instruction:			
Regular	58,238	-	58,238
Other	-	99,058	99,058
Support services:			
Administration	36,557	-	36,557
Operaton and maintenance of plant	19,933	-	19,933
Transportation	9,355	-	9,355
Total expenditures	124,083	99,058	223,141
Net change in fund balances	56,735	3,955	60,690
Fund balances beginning of year	138,645	38,556	177,201
Fund balances end of year	\$ 195,380	\$ 42,511	\$ 237,891

See accompanying independent auditor's report.

Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year Ended June 30, 2012

	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Reading is Fundamental	\$ 1,165	\$ 754	\$ -	\$ 1,919
Science Fair	777	562	476	863
Musical / Play	3,754	4,237	5,194	2,797
Athletics	7,690	41,564	36,126	13,128
FFA	2,741	20,987	22,851	877
Class 2011	698	-	698	-
Class 2012	3,017	105	3,026	96
Class 2013	1,040	8,445	4,669	4,816
Class 2014	1,419	1,483	-	2,902
Class 2015	1,476	100	-	1,576
Class 2016	1,374	100	-	1,474
Class 2017	718	100	-	818
Class 2018	-	1,924	1,246	678
High School Student Council	7	2,387	1,460	934
Dance team	400	133	145	388
Interest	277	130	-	407
High school Student Pop	2,778	465	465	2,778
Concessions	2,544	11,217	13,572	189
Cheerleader / Drill Team	515	79	79	515
Yearbook	3,976	6,654	6,516	4,114
Middle School Yearbook	1,626	-	1,626	-
Elementary Pop	564	1,587	909	1,242
Total	\$ 38,556	\$ 103,013	\$ 99,058	\$ 42,511

See accompanying independent auditor's report.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Capital Project Accounts
Year ended June 30, 2012

Schedule 4

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 391,076	\$ 65,498	\$ 456,574
Recivables:			
Succeeding year property tax	-	61,000	61,000
Accounts	381	-	381
Due from other governments	50,855	752	51,607
Interfund receivables	150,000	-	150,000
Total assets	\$ 592,312	\$ 127,250	\$ 719,562
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 4,371	\$ -	\$ 4,371
Deferred revenue:			
Succeeding year property tax	-	61,000	61,000
Total liabilities	4,371	61,000	65,371
Fund balances:			
Restricted for:			
School infrastructure	587,941	-	587,941
Physical plant and equipment	-	66,250	66,250
Total fund balances	587,941	66,250	654,191
Total liabilities and fund balances	\$ 592,312	\$ 127,250	\$ 719,562

See accompanying independent auditor's report

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Schedule 5

**Combining Schedules of Revenues, Expenditures
and Changes in Fund Balances**

Capital Project Accounts

Year ended June 30, 2012

	Capital Projects		
	State wide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 319,876	\$ 64,759	\$ 384,635
Other	3,879	25,536	29,415
Total revenues	323,755	90,295	414,050
Expenditures:			
Support services:			
Administration	38,382	5,425	43,807
Transportation	72,999	666	73,665
Other expenditures:			
Facilities acquisition	23,645	53,199	76,844
Total expenditures	135,026	59,290	194,316
Net change in fund balances	188,729	31,005	219,734
Fund balances beginning of the year, as restated	399,212	35,245	434,457
Fund balances end of year	\$ 587,941	\$ 66,250	\$ 654,191

See accompanying independent auditor's report.

Schedule of Changes in Fiduciary Assets and Liabilities -

Agency Fund

Year ended June 30, 2012

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 613	\$ 917	\$ 112	\$ 1,418
Liabilities				
Other payables	\$ 613	\$ 805	\$ -	\$ 1,418

See accompanying independent auditor's report.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function - All Government Funds For the Last Eight Years

	2012	2011	2010
Revenues:			
Local sources:			
Local tax	\$ 3,230,584	\$ 2,736,116	\$ 2,648,899
Tuition	221,573	259,680	102,324
Other	477,936	698,321	306,100
State sources	1,667,521	1,634,736	1,341,003
Federal sources	146,287	290,092	337,847
Total revenues	\$ 5,743,901	\$ 5,618,945	\$ 4,736,173
Expenditures:			
Instruction:			
Regular	\$ 1,540,158	\$ 1,833,232	\$ 1,717,936
Special	646,150	796,570	526,161
Other	442,944	601,784	627,634
Support services:			
Student	32,840	68,178	115,438
Instructional staff	61,149	156,116	139,770
Administration	626,246	659,592	534,052
Operation and maintenance of plant	301,918	374,081	417,467
Transportation	275,079	166,233	220,162
Non-instructional programs	-	-	125
Other expenditures:			
Facilities acquisition	109,716	138,729	189,257
Long-term debt:			
Principal	-	-	-
Interest and other charges	-	-	-
AEA flowthrough	150,941	169,332	167,914
Total	\$ 4,187,141	\$ 4,963,847	\$ 4,655,916

Schedule 7

2009	2008	2007	2006	2005
\$ 2,539,371	\$ 2,538,939	\$ 2,531,092	\$ 2,138,555	\$ 1,985,339
170,661	226,676	249,008	233,651	169,629
257,235	299,665	159,848	207,449	175,153
1,757,501	1,779,013	1,878,327	1,837,744	1,627,999
124,514	164,603	103,202	162,484	154,562
\$ 4,849,282	\$ 5,008,896	\$ 4,921,477	\$ 4,579,883	\$ 4,112,682
\$ 1,764,952	\$ 1,767,584	\$ 1,763,287	\$ 1,684,894	\$ 1,813,721
652,872	602,549	626,457	605,403	451,164
606,864	436,170	443,668	491,957	349,733
234,640	168,211	194,405	135,419	182,842
129,757	130,107	123,788	131,974	160,140
663,956	783,644	647,765	595,832	533,061
410,501	395,673	337,531	360,926	280,957
281,836	246,619	177,619	261,619	179,973
386	1,036	473	1,700	-
167,025	117,736	310,480	325,588	195,588
-	19,866	19,042	17,981	16,032
-	1,142	2,237	3,271	5,169
155,039	153,117	151,253	145,603	141,419
\$ 5,067,828	\$ 4,823,454	\$ 4,798,005	\$ 4,762,167	\$ 4,309,799

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of
Clay Central/Everly Community School District
Royal, Iowa

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Clay Central/Everly Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 13, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Clay Central/Everly Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clay Central/Everly Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Clay Central/Everly Community School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-12 and II-B-12 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clay Central/Every Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Clay Central/Every Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Clay Central/Every Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the district's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Clay Central/Every Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schnurr & Company, LLP

Fort Dodge, Iowa
June 13, 2013

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs Year Ended June 30, 2012

Part I: Summary of Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

II-A-12 Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition, but it is important the District officials are aware that the condition exists.

Recommendation: We realize that with a limited number of office employees segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring activities to obtain the maximum internal control possible under the circumstances.

District Response: The District will continued to review and implement additional controls where possible.

Conclusion: Response accepted.

II-B-12 Preparation of Financial Statements: Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting. Clay Central/Everly Community School District does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards NO. 112, Communicating Internal Control Related Matters Identified in an Audit, requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an organization of your size.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2012

Part II: Findings Related to the Financial Statements (Continued):

II-B-12 Preparation of Financial Statements (continued):

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with the cash basis of accounting can be considered costly and ineffective. However, it is the responsibility of the District's management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a going forward basis.

Conclusion – Response accepted.

Instances of Noncompliance:

No matters were reported.

Part III: Other Findings Related To Required Statutory Reporting:

III-A-12 Certified Budget: Expenditures for the year ended June 30, 2012, exceeded the amended certified budget amount in the other expenditures function.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – The budget will be amended before expenditures are allowed to exceed the budget.

Conclusion – Response accepted.

III-B-12 Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-12 Travel Expense: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

III-D-12 Business Transactions: We noted no business transactions between the District and District officials or employees.

III-E-12 Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to ensure the coverage is adequate for current operations.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2012

Part III: Other Findings Related To Required Statutory Reporting (Continued):

- III-F-12 Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.
- III-G-12 Certified Enrollment: Eight variances in the basic enrollment data certified to the Iowa Department of Education were noted and confirmed with the Department of Education.
- III-H-12 Supplementary Weighting: No variances regarding the supplementary weighting certified to the Department of Education were noted.
- III-I-12 Deposits and Investments: No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- III-J-12 Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely. However, due to adjustments made to the audit, the Certified Annual Report and the audit report are not in agreement.

Recommendation: The Certified Annual Report should be amended to agree with the audit report.

District Response: If necessary, the Certified Annual Report will be amended.

Conclusion: Response accepted.

- III-K-12 Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2012

Part III: Other Findings Related To Required Statutory Reporting (Continued):

- III-L-12 Statewide Sales, Services and Use Tax: No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. District are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

Beginning balance		\$ 399,212
Statewide sales, services and use tax	\$ 319,876	
Interest	581	
Other	3,298	323,755
		<u>722,967</u>
Expenditures/transfers out:		
Buildings and building improvements	56,517	
Equipment	78,509	135,026
		<u>135,026</u>
Ending balance		<u><u>\$ 587,941</u></u>

For the year ended June 30, 2012, the District reduced the following levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Physical plant and equipment levy	\$ 1.34	\$ 262,778

- III-L-12 Financial Condition: The District had an unrestricted deficit balance in its Enterprise, School Nutrition Fund in the amount of \$73,459.

Recommendation: The District should investigate alternatives to eliminate the deficits and return the fund to a sound financial position.

Response: We have increased the meal prices charged and will continue to investigate alternatives in eliminating the School Nutrition Fund deficit.

Conclusion: Response accepted.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2012

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Clay Central/Everyly Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schnurr & Company, LLP

Fort Dodge, Iowa
June 13, 2013

